BOARD OF CLARK COUNTY COMMISSIONERS
Betty Sue Morris • Marc Boldt • Steve Stuart

proud past, promising future

CLARK COUNTY
WASHINGTON

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# Executive Summary

The Honorable Board of County Commissioners:

Enclosed is Clark County's 2005/2006 biennial budget, as it was adopted by the Board of County Commissioners (BOCC) on December 9, 2004. This document includes:

- Budget recommendations by function and department.
- Budget summaries for revenues and expenditures, including "cash" budgets for each department.
- Summaries of issues driving the budget recommendations.
- Forecasted revenues and expenditures for 2005/2006.
- Objectives used to formulate budget recommendations.

## Budget Highlights

### Summary

Clark County began using a two-year, or biennial, budget in 1999. The adopted budget for 2005/2006, which is the county's fourth two-year budget, increased $78 million overall from the previous biennium. The General Fund adopted budget increased $17 million, primarily due to growth in salaries and benefits.

| Total Budget (millions) | |
|---|---|
| 2005/2006 Total Adopted Expenditures Budget | $786.9 |
| 2003/2004 Total Actual Expenditures | $709.0 |
| 2001/2002 Total Actual expenditures | $615.9 |
| 1999/2000 Total Actual Expenditures | $561.0 |
| 1997/1998 Total Actual Expenditures | $523.1 |
| | |
| 2005/2006 Total Projected Revenues | $747.0 |
| 2003/2004 Total Actual Revenues | $741.4 |
| 2001/2002 Total Actual Revenues | $621.0 |
| 1999/2000 Total Actual Revenues | $539.1 |
| 1997/1998 Total Actual Revenues | $519.9 |

**General Fund (millions)**

| | |
|---|---|
| 2005/2006 Adopted Budget | $233.6 |
| 2003/2004 Actual Expenditures | $216.8 |
| 2001/2002 Actual Expenditures | $203.4 |
| 1999/2000 Actual Expenditures | $195.7 |
| 1997/1998 Actual Expenditures | $158.8 |
| | |
| 2005/2006 Projected Revenues | $232.2 |
| 2003/2004 Actual Revenues | $214.8 |
| 2001/2002 Actual Revenues | $195.7 |
| 1999/2000 Actual Revenues | $179.3 |
| 1997/1998 Actual Revenues | $160.6 |

**Summaries of Budget Categories (millions)**

| | |
|---|---|
| Salaries and Benefits | $248.8 |
| Supplies and Services | $198.5 |
| Capital | $118.7 |
| Debt Service | $39.1 |
| Transfers/Interfund | $181.8 |
| Total Budget | $786.9 |

## Outlook

The factors driving this budget are different from previous ones. Past reductions in county revenue have been due to the economy, a factor beyond the control of our citizens. Current reductions, however, are due to actions taken by our citizens. Two voter-approved measures, Referendum 47 and Initiative 747, have permanently affected county revenues. In 1998, R-47 limited property tax levy increases to less than two percent per year, and in 2001, I-747 further limited property taxes to one percent increases per year. In contrast, the previous limit was a six percent increase per year. The result of these measures, which has a cumulative effect over time, has been to significantly diminish county revenues, especially General Fund revenues.

Approximately 22 percent of total county revenues and 41 percent of General Fund revenues come from property taxes. The General Fund pays for most of the services citizens identify with government: law enforcement, courts, jails, and all the elected offices in the county organization. The cost for these services increases at about seven percent per year, driven by population growth and the inflation rate in Clark County. However, as a result of the tax limitation measures described above, when combined with a $32 million reduction in the Road Fund's Annual Construction Program, overall revenue increases have dropped to below one percent over the 03/04 biennium. The General Fund has faired better due to its primary dependence on Property and Sales taxes. As discussed below, new construction and retail sales have become increasingly important.

With Clark County experiencing population increases of approximately 10,000 people annually, adding a city the size of Battle Ground to the county every year, service levels are gradually being diminished.

Ironically, the same growth that is causing costs to rise, is one of the few sources of revenue increases for the county. Growth drives new construction, which in turn increases the tax base. New construction increases property tax collections by creating new property tax "customers." Old customers pay only one percent more each year, but by expanding the number of customers, total property tax revenues can increase more than one percent. But this will last only as long as the construction boom lasts. And without this growth, the county's revenues would actually be declining.

New construction, particularly residential housing, carries a hidden cost as well. Over time it does not pay for the cost of the government service it uses. So while the new residential construction helps in the short run, in the long run it is ramping up the county's obligations far beyond its ability to pay.

There are few changes that are likely to improve the current outlook. Take, for example, an economic turnaround. If the economy picks up, construction is unlikely to increase, because it is already at record high levels. Taxable sales may increase, but experience teaches us not to count on that: During the boom years of the late '90s, sales tax collections were flat. Interest rates may increase and with them our interest earnings, but so will the cost of borrowing money. Regardless of whether the economy improves, projections show that the gap between the county's revenues and expenditures will increase over time.

## Strategy

The BOCC has maintained a consistent strategy for restraining costs as revenues dwindle. The goal is to avoid creating future unsustainable obligations rather than cut when costs inevitably exceed revenues. The most expensive obligation that the county routinely assumes is hiring new employees. As a result, the 2005/2006 budget assumes only seven new unfunded positions in the General Fund, primarily related to the necessity of adding district and superior court judges. With the exception of certain positions that come with funding (for example, those attached to charges for services), no new unfunded positions are anticipated in the future.

In addition, the BOCC has approved investments that reduce future costs. An example is the construction of the new Public Service Center, which relocated many departments from more costly rented facilities. This will save Clark County $46 million over the next 25 years. Similar efficiency should be gained when the new Community Health Center becomes occupied by the county Health Department, Department of Community Services, and other independent health providers in 2006.

These and other methods for living within the county's means are a testimony to its long history of quality leadership and fiscal responsibility. Those same traits, however, mean that Clark County was already "running lean," and that further revenue losses will translate into additional service reductions for citizens.

Although this budget is a plan to forestall such reductions until the next biennium, its ability to deliver on this plan could be significantly affected by the economy. While it is true that an improving economy will do little to enhance the county's financial situation, an economic downturn has the potential to make it considerably worse.

Respectfully,

Bill Barron

Bill Barron
County Administrator